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Public Accounts of Ontario

Financial Statements

1998-1999



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To The Honourable
HILARY M. WESTON
Lieutenant Governor of Ontario

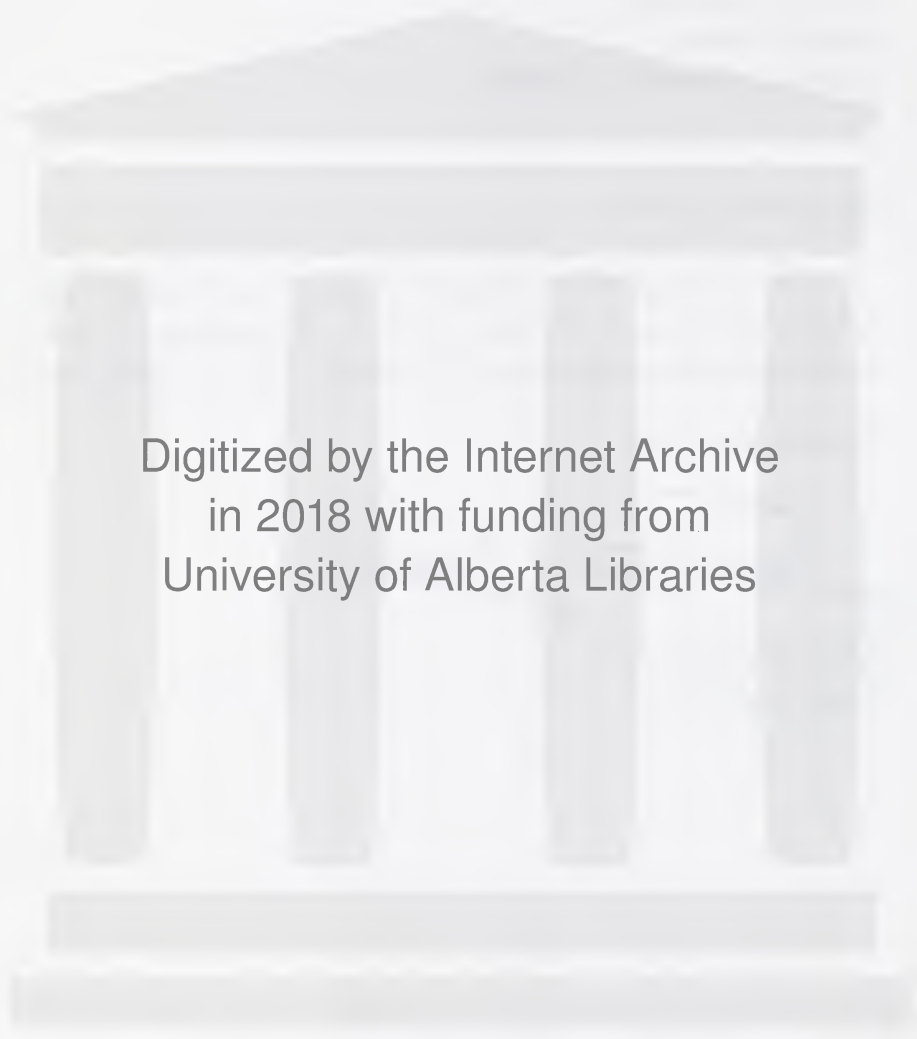
May It Please Your Honour:

The undersigned has the honour to present, to Your Honour, the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 1999, in accordance with the requirements of the *Ministry of Treasury and Economics Act*.

Respectfully submitted,

A handwritten signature in black ink, consisting of a large, stylized 'E' followed by a smaller, more fluid signature.

Honourable Ernie Eves, O.C.
Minister of Finance
Toronto, October 1999



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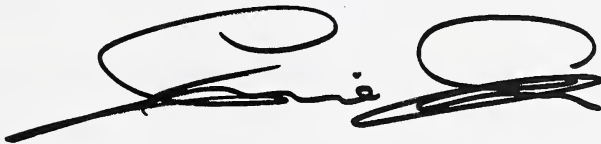
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Minister of Finance's Report

It is with pleasure that I present the 1998-99 Public Accounts of the Province of Ontario for the fiscal year ended March 31, 1999.

To assist readers, the organization and content of the Public Accounts is described in A Guide to Public Accounts on page ix of this volume.

Comments or general enquiries will be welcomed and should be directed to the Office of the Controller, Ministry of Finance.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the bottom.

Honourable Ernie Eves, Q.C.
Minister of Finance
Toronto, October 1999

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A Guide to Public Accounts

Scope of the Public Accounts

The 1998-99 Public Accounts of the Province of Ontario comprise the financial statements and three volumes:

Volume 1 contains the Consolidated Revenue Fund schedules and Ministry statements. The Consolidated Revenue Fund schedules reflect the financial activities of the government's ministries on a modified cash basis.

Volume 2 contains the financial statements of significant provincial corporations, boards and commissions which are part of the government's reporting entity and other miscellaneous financial statements.

Volume 3 contains the details of expenditure and the Ontario Public Service senior salary disclosure.

Sources of Additional Information

Province of Ontario Annual Report

The government has prepared an annual report which gives financial and economic highlights of the past year and reports on performance against the goals set out in the Budget. The report includes a summarized version of the financial statements. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access to the Province of Ontario Annual Report, visit the Ministry of Finance website at <http://www.gov.on.ca/FIN/english/budeng.htm>.

The Ontario Budget

The Ontario Government presents a Budget each year, usually in the early spring. This document outlines expected expenditure and revenue for the upcoming fiscal year. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access to the Ontario Budget, visit the Ministry of Finance website at <http://www.gov.on.ca/FIN/english/budeng.htm>.

The Estimates of the Province of Ontario

The government's spending Estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Minister of Finance. The Estimates outline the spending plans of each Ministry which are submitted, for approval to the Legislative Assembly, per the *Supply Act*. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto.

Ontario Government Business Plans

Business Plans are published annually by each ministry, following the Ontario Budget and publication of the spending Estimates. Each plan includes an annual report highlighting what each ministry has done over the previous year, what is planned for the coming year, what targets have been set and how results will be measured. It also includes a summary of expenditures. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access, go to <http://www.gov.on.ca/MBS/english/press/plans99>.

Ontario Finances

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to <http://www.gov.on.ca/FIN/english/oecoeng.htm>.

Ontario Economic Accounts

This quarterly report contains data on Ontario's economic activity. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to <http://www.gov.on.ca/FIN/english/oecoeng.htm>.

Introduction

The financial statements of the Province of Ontario include the following:

- a statement of the government's responsibilities for preparing the financial statements and for maintaining systems of financial management and internal control;
- the Provincial Auditor's report on the financial statements;
- a summary of the significant accounting policies which underlie the recording and disclosure of the financial activities of the province in these financial statements;
- the Statement of Revenue, Expenditure and Accumulated Deficit, showing revenues generated from taxes and other sources less expenditures incurred during the year;
- the Statement of Financial Position, showing debts for past operations that will require payment from future resources less financial resources which are available to pay debts or provide future public services;
- the Statement of Cash Flows, identifying financial resources used during the year to provide for operations and sources of financing made available for operations; and
- the notes and schedules to the financial statements which form an integral part of the financial statements and provide further explanatory information and detail on the balances contained in the various statements.

Basis of Government Accounting

These financial statements reflect the implementation of accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private and public sector corporations in Canada.

Financial Statement and Budgetary Accounting - Modified Accrual Basis

The government implemented modified accrual accounting in the Public Accounts in 1994 and in the Budget in 1996. On a modified accrual basis, the effect of financial transactions is recognized as they occur rather than when cash is received or paid. Revenues are recognized when earned, financial assets when acquired, and costs when incurred.

Appropriation Control - Modified Cash Basis

Spending estimates for the Legislature are prepared on an accounting basis different from that used in preparing the financial statements. The modified cash basis is used in Volumes 1 and 3 of the *Public Accounts of Ontario* in accounting for spending under authorities of the Legislature.

On the cash basis, revenues are recognized when cash is collected and expenditures are recognized when cheques are issued or cash is disbursed. Generally, results of operations are computed as the difference between cash received and disbursed, exclusive of financing transactions. The cash basis of accounting used by the province is modified to allow for an additional thirty days to pay for and record goods and services received during the fiscal year just ended and for certain non-cash transactions.

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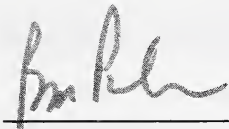
Financial Statements

Statement of Responsibility for the Financial Statements

The financial statements are prepared by the Government of Ontario in compliance with legislation, and in accordance with accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private and public sector corporations in Canada. The government accepts responsibility for the objectivity and integrity of the financial statements.

The government is also responsible for maintaining systems of financial management and internal control to ensure with reasonable certainty that the transactions recorded in the financial statements are within statutory authority, assets are properly safeguarded, and financial records are reliable in preparation of these financial statements.

The financial statements have been audited by the Provincial Auditor of Ontario and his report follows.



Bryne Purchase
Deputy Minister
August 9, 1999



Colin Andersen
Assistant Deputy Minister
August 9, 1999



Robert Siddall, CA
Provincial Controller
August 9, 1999



Auditor's Report

To the Legislative Assembly of the
Province of Ontario

I have audited the statement of financial position of the Province of Ontario as at March 31, 1999 and the statements of revenue, expenditure and accumulated deficit and of cash flows for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles recommended for governments by The Canadian Institute of Chartered Accountants. As required by section 12 of the *Audit Act*, I also report that, in my opinion, these accounting principles have been applied, in all material respects, on a basis consistent with that of the preceding year.

Toronto, Ontario
August 9, 1999

Erik Peters, FCA
Provincial Auditor

Summary of Significant Accounting Policies

These financial statements reflect accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private and public sector corporations in Canada.

Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those organizations which are accountable for the administration of their financial affairs and resources, either to a minister of the government or directly to the Legislature, and which are owned or controlled by the government. All of these organizations that meet one of the following criteria are separately consolidated: i) revenues, expenditures, assets or liabilities greater than \$50 million; or ii) outside sources of revenues, deficit or surplus greater than \$10 million. A listing of these agencies is provided in Schedule 7. The activities of all other agencies are reflected in these financial statements through the accounts of the ministries responsible for them.

Trusts administered by the government on behalf of other parties are excluded from the reporting entity. Information on trusts administered by the government is provided in Note 10.

Principles of Consolidation

The activities of corporations, boards and commissions classified as government service organizations are consolidated on a line-by-line basis with the Consolidated Revenue Fund in these financial statements. Where necessary, adjustments are made to present the accounts of these organizations on a basis consistent with the accounting policies described below, and to eliminate significant inter-organization accounts and transactions.

Government enterprises are defined as those Crown corporations, boards and commissions which, (i) have the financial and operating authority to carry on a business, (ii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations, and (iii) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of government enterprises are recorded in the financial statements using the modified equity method. Under this method, government enterprises are reported in accordance with the accounting principles generally accepted for business enterprises. Their combined net assets are included in the financial statements as Investment in Government Enterprises on the Statement of Financial Position and their combined net income is shown as a separate item on the Statement of Revenue, Expenditure and Accumulated Deficit.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accruals for pension obligations, personal income tax, corporations tax and restructuring charges.

The nature of the uncertainty in the pension accrual arises because actual results may differ significantly from the province's best estimates of expected results. Uncertainty related to the accrual for personal income tax and corporations tax arises because of the possible differences between the estimated and actual economic growth and related impact on taxes receivable. Uncertainty exists with respect to restructuring charges as the actual expenditures, incurred in the transfer and restructuring of certain programs and services, may differ from the initial estimates of expected costs.

Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available.

Revenue

Revenues are recognized in the fiscal year that the events to which they relate occur.

Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are reported as liabilities.

Expenditure

Expenditures are recognized in the fiscal year to which they relate.

Grants are recognized in the period during which the expenditure is authorized and any eligibility criteria are met.

The pension expenditure comprises the cost of pension benefits earned by employees during the year, interest on the pension benefits liability net of pension plan assets and amortization of the government's share of any experience gains or losses, less contributions made by the employees. The estimated total cost of the government's share of plan amendments related to past service is expensed in the year the plan is amended.

For capital leases entered into by the province, an amount equal to the present value of the minimum lease payments required over the term of the lease is recorded as an expenditure at the inception of the lease, with an offsetting liability recorded for the lease obligation.

Liabilities

Liabilities are recorded to the extent that they represent obligations of the government to outside parties as a result of events and transactions occurring prior to the year-end.

Liabilities include probable losses on loan guarantees issued by the government, and contingent liabilities when it is likely that a loss will be realized and the amount can be reasonably determined.

Debt Issued for Provincial Purposes

Debt is comprised of treasury bills, commercial paper, medium and long-term notes, savings bonds, debentures and loans.

Debt denominated in foreign currencies which has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and any exchange gains or losses are amortized over the remaining term to maturity.

Interest on Public Debt includes interest on outstanding debt, amortization of foreign exchange gains or losses, amortization of debt discounts or premiums, amortization of deferred hedging gains and losses and interest income on investments.

The province uses derivative financial instruments (derivatives) only for the purposes of hedging and to minimize interest costs. Derivatives are financial contracts, the value of which is derived from underlying assets. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

Pensions

The pension liability is calculated on an actuarial basis using the government's best estimates of future inflation rates, investment returns, employee salary levels and other underlying assumptions. When actual plan experience differs from that expected, or when assumptions are revised, gains and losses arise. These gains and losses are amortized over the average remaining service life of plan members.

Financial Assets

Financial assets include cash and claims by the province arising from events and transactions occurring prior to the year-end.

Temporary investments are recorded at the lower of cost or fair value.

Properties held for sale are stated at the lower of cost and net realizable value. Costs include acquisition costs, property taxes, development costs, capitalized interest and administrative costs, less net interim property rents and expenditures.

Investment in Government Enterprises represents the net assets of government enterprises recorded on the modified equity basis as described under Principles of Consolidation.

Loans receivable with significant concessionary terms are recorded at the date of issuance at face value discounted by the amount of the grant portion. The grant portion is recognized as an expenditure at the date of issuance of the loan. The amount of the loan discount is amortized to revenue over the term of the loan.

Tangible Capital Assets

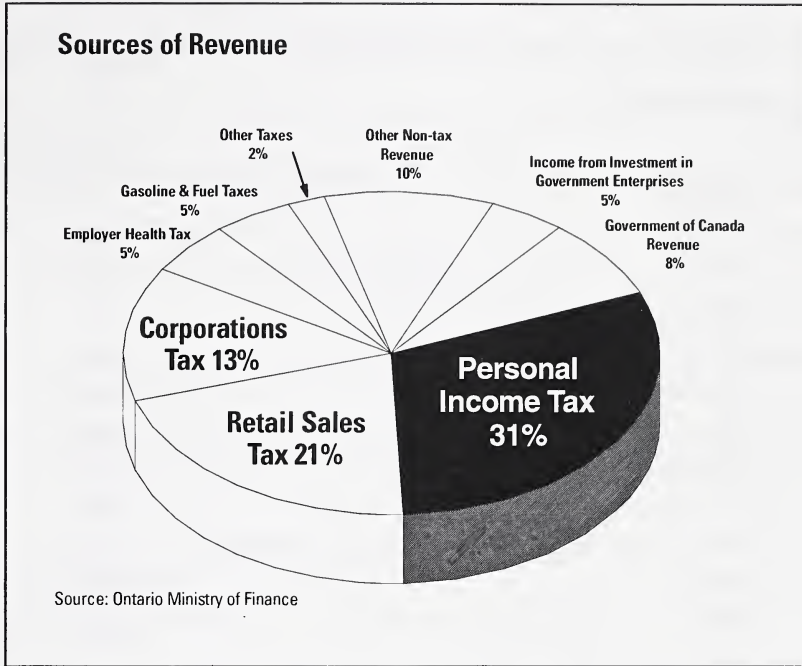
In June, 1997, the Public Sector Accounting and Auditing Board approved accounting standards for the tangible capital assets of governments. Governments are to proceed with the adoption of such standards as soon as is practical. The province is actively considering the future implementation of these standards as part of the Integrated Financial Information System project.

In the interim, except for government enterprises which capitalize assets purchased or constructed, the province continues to charge the full cost of tangible capital assets to operations in the year of purchase or construction.

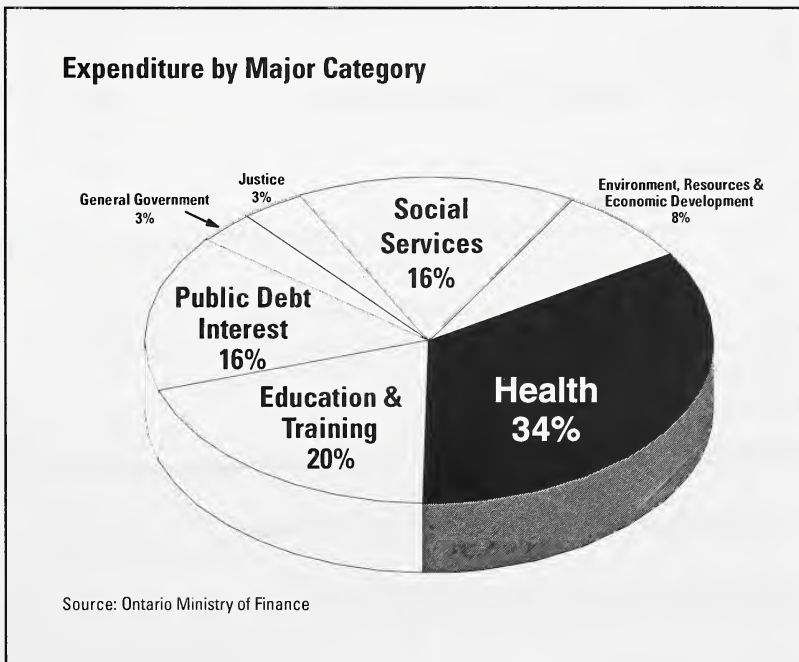
Trust Funds

Trust funds under administration by the province which are not liabilities of the province are not reflected in the Statement of Financial Position.

Sources of Revenue



Expenditure by Major Category



Province of Ontario

Statement of Revenue, Expenditure and Accumulated Deficit

For the year ended March 31 (\$ Millions)	Budget ¹ 1999	Actual 1999	Actual 1998
Revenue (Schedule 1)			
Personal Income Tax	14,635	17,190	16,293
Retail Sales Tax	11,435	11,651	10,843
Corporations Tax	7,600	7,447	7,456
Employer Health Tax	2,780	2,882	2,851
Gasoline and Fuel Taxes	2,645	2,660	2,591
Other Taxes	1,351	1,247	1,235
Total Taxation	40,446	43,077	41,269
Government of Canada	4,928	4,515	5,098
Income from Investment in Government Enterprises (Schedule 8)	2,438	2,547	2,291
Other Revenue	5,578	5,647	3,860
	53,390	55,786	52,518
Expenditure (Schedules 2 and 3)			
Health	19,153	19,694	18,492
Education and Training	10,761	11,297	9,525
Social Services	9,345	9,117	9,290
Public Debt Interest	9,214	9,016	8,729
Environment, Resources and Economic Development	4,196	4,535	5,760
Justice	2,001	2,096	1,878
General Government	2,294	1,957	1,215
Restructuring Charges (Note 8)	—	76	1,595
	56,964	57,788	56,484
Reserve	650		
Deficit	4,224	2,002	3,966
Accumulated Deficit			
Balance, Beginning of Year		112,735	108,769
Balance, End of Year		114,737	112,735

See accompanying Notes and Schedules to the Financial Statements

¹ Fiscal plan for the year ended March 31, 1999 per 1998 Ontario Budget.

Province of Ontario

Statement of Financial Position

As at March 31 (\$ Millions)	1999	1998
Liabilities for Provincial Purposes		
Accounts Payable and Accrued Liabilities (Schedule 5)	11,285	12,686
Debt Issued for Provincial Purposes (Note 1, 2)	105,133	101,982
Deposits with the Province of Ontario Savings Office (Note 3)	2,517	2,245
Pensions (Note 4)	6,428	8,062
Other Liabilities	1,524	1,247
Total Liabilities for Provincial Purposes	126,887	126,222
Debt Issued for Ontario Hydro (Note 5, Schedule 6)	4,248	2,885
	131,135	129,107
Financial Assets		
Cash and Temporary Investments (Note 6)	2,780	5,414
Accounts Receivable (Schedule 4)	3,593	3,666
Loans Receivable	3,300	2,246
Other Assets	467	417
Properties Held for Sale	237	271
Investment in Government Enterprises (Schedule 8)	1,773	1,473
Advances to Ontario Hydro, Secured by Bonds (Note 5, Schedule 6)	4,248	2,885
	16,398	16,372
Accumulated Deficit	114,737	112,735

Contingent Liabilities (Note 7)

See accompanying Notes and Schedules to the Financial Statements

Province of Ontario

Statement of Cash Flows

For the year ended March 31 (\$ Millions)	1999	1998
Cash Flows used in Operating Activities		
Deficit for the Year	(2,002)	(3,966)
Adjustments for:		
Income from Investment in Government Enterprises	(2,547)	(2,291)
Remittances to the Province from Government Enterprises	2,247	1,973
Changes in non-cash working capital	(3,755)	317
Cash flows used in operating activities	(6,057)	(3,967)
Cash Flows from Financing Activities		
Debt Issued for Provincial Purposes	10,290	10,847
Debt Retired for Provincial Purposes	(7,139)	(7,257)
Increase in Deposits with the Province of Ontario Savings Office	272	110
Cash flows from financing activities	3,423	3,700
Net Decrease in Cash and Temporary Investments	(2,634)	(267)
Cash and Temporary Investments at Beginning of Year	5,414	5,681
Cash and Temporary Investments at End of Year	2,780	5,414

See accompanying Notes and Schedules to the Financial Statements

Province of Ontario

Notes to the Financial Statements

(all tables in millions of dollars)

1. Debt Issued for Provincial Purposes

The province borrows in both domestic and international markets to fund its deficits and to refinance maturing debt. The following table presents the maturity schedule of the province's outstanding debt, by currency of repayment, expressed in Canadian dollars.

Debt Issued for Provincial Purposes								1999	1998
As at March 31									
Currency ¹	Canadian Dollar	U.S. Dollar	Pound Sterling	Japanese Yen	Deutsche Mark	French Franc	Other Currencies ²	Total	Total
Fiscal Year									
Payable 1999									\$ 6,495
2000	4,334	3,312	—	546	462	—	387	\$ 9,041	8,130
2001	3,007	3,529	725	189	470	—	—	7,920	8,024
2002	4,386	1,316	—	1,756	—	—	468	7,926	7,653
2003	3,877	6,332	450	195	—	—	437	11,291	11,285
2004	5,699	3	—	244	1,299	—	249	7,494	—
1-5 years	21,303	14,492	1,175	2,930	2,231	—	1,541	43,672	41,587
6-10 years	20,765	7,284	473	2,268	—	795	704	32,289	30,801
11-15 years	9,159	—	—	—	—	915	—	10,074	12,128
16-20 years	1,074	—	—	—	—	—	—	1,074	1,431
21-25 years	4,873	—	—	—	—	—	—	4,873	2,232
26-50 years ³	13,151	—	—	—	—	—	—	13,151	13,803
Total	70,325	21,776	1,648	5,198	2,231	1,710	2,245	\$105,133	\$ 101,982
The effective interest rates ¹ (weighted average) as at March 31, on the above debt are:									
1999	9.20%	7.77%	7.54%	7.39%	7.40%	6.19%	6.22%	8.63%	
1998	9.64%	7.96%	8.36%	7.50%	7.40%	6.37%	6.28%		8.98%

¹ The balances and interest rates above reflect the effect of related derivative contracts, as discussed in Note 2 (Risk Management and Derivative Financial Instruments).

² Other Currencies comprise: Australian Dollar, Euro, Greek Drachma, Swiss Franc, Netherlands Guilder, Norwegian Kroner and New Zealand Dollar.

³ The longest term to maturity is to March 1, 2045.

Debt Issued for Provincial Purposes

As at March 31

1999

1998

Debt Payable to:

Public investors	\$ 74,146	\$ 69,329
Ontario Teachers' Pension Plan	13,213	13,822
Canada Pension Plan Investment Fund	10,487	11,358
Public Service Pension Plan	3,604	3,681
OPSEU Pension Plan	1,712	1,749
Canada Mortgage and Housing Corporation	1,208	1,246
The Ontario Municipal Employees' Retirement Fund	666	697
Colleges of Applied Arts and Technology Pension Plan	89	91
Ryerson Retirement Pension Plan	8	9
Total Debt Issued for Provincial Purposes	\$ 105,133	\$ 101,982

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the province's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of Debt Issued for Provincial Purposes at March 31, 1999 is \$127.4 billion (1998, \$121.6 billion). This is higher than the book value of \$105.1 billion (1998, \$102.0 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

2. Risk Management and Derivative Financial Instruments

The province accesses both domestic and foreign markets in its efforts to issue debt in the most cost-effective manner. The province's participation in the world's capital markets brings with it certain risks. The province employs prudent risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is well managed. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying assets. The province uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which the province agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows the province to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by the province include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk of debt servicing costs and principal payments varying due to fluctuations in foreign exchange rates. To minimize currency risk, the province uses derivative contracts to convert foreign currency cash flows into Canadian dollar denominated cash flows. The province's current policy allows unhedged foreign exchange exposure up to 5 per cent of total provincial purpose debt (Debt Issued for Provincial Purposes plus Deposits with the Province of Ontario Savings Office and Other Liabilities). At year end, 1.1 per cent (1998, 0.5 per cent) of this debt was unhedged, with most of the currency exposure to U.S. dollars.

Interest rate risk is the risk of debt servicing costs varying due to changes in interest rates. The province reduces its exposure to rate changes by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt, net of liquid reserves, to reach a maximum of 20 per cent of total provincial purpose debt. For the fiscal year 1998-99, the province's floating rate debt, net of liquid revenues, as a percentage of total provincial purpose debt averaged 5.9 per cent, compared to 7.3 per cent in fiscal year 1997-98. As of March 31, 1999, floating rate debt, net of liquid reserves, as a percentage of total provincial purpose debt was 6.8 per cent (1998, 4.4 per cent).

Liquidity risk is the risk that the province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the province maintains liquid reserves (i.e. Cash and Temporary Investments (Note 6)), at levels that will meet future cash requirements and will give the province flexibility in the timing of issuing debt. To further reduce liquidity risk, the province has syndicated lines of credit for U.S. \$1.3 billion (1998, U.S. \$1.3 billion) involving 37 banks worldwide, which had not been drawn on as at March 31, 1999.

The table below presents a maturity schedule of the province's derivatives, by type, outstanding at March 31, 1999, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit or market risk. Notional amounts are not representative of actual cash flows.

Derivative Portfolio Notional Value

As at March 31								1999	1998
Maturity in Fiscal Year	2000	2001	2002	2003	2004	6-10 Years	Over 6-10 Years	Total	Total
Cross currency									
swaps	\$6,460	\$5,641	\$6,257	\$7,904	\$3,413	\$13,590	\$915	\$ 44,180	\$ 43,861
Interest rate									
swaps	4,181	4,702	3,691	8,638	1,657	16,661	606	40,136	35,326
Forward foreign									
Exchange									
contracts	1,498	—	—	—	—	—	—	1,498	1,677
Options	230	60	—	—	—	—	—	290	345
Forwards	468	—	—	—	—	—	—	468	867
Forward rate									
agreements	600	—	—	—	—	—	—	600	200
Total	13,437	10,403	9,948	16,542	5,070	30,251	1,521	\$ 87,172	\$ 82,276

Derivatives introduce credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 1999.

Credit Risk Exposure

As at March 31		1999	1998
Interest rate contracts:	Swaps	\$ 953	\$ 873
	Other ¹	8	6
Foreign exchange contracts:	Swaps	4,159	2,128
	Other ¹	1	5
Gross credit risk exposure		\$ 5,121	\$ 3,012
Less: Netting agreements ²		(3,086)	(2,674)
Net Credit Risk Exposure³		\$ 2,035	\$ 338

¹ Other includes credit exposure on options, futures, forward rate agreements and forward foreign exchange agreements.

² Contracts do not have coterminous settlement dates.

³ At March 31, 1999, the province has also entered into other derivative contracts for which the province has an unrealized loss of \$845 million (1998, \$2.2 billion) which has not been included to reduce the Net Credit Risk Exposure. Its inclusion would bring the fair value of the derivative portfolio to an unrealized net asset of \$1.2 billion (1998, unrealized net liability \$1.9 billion).

The province limits its credit risk exposure on derivatives by entering into contractual netting agreements with virtually all of its counterparties which enables it to settle derivative contracts on a net basis in the event of a counterparty default. The gross credit risk exposure represents the amount of loss that the province would suffer if every counterparty to which the province was exposed were to default at the same time. The net credit risk exposure includes the mitigating impact of these netting agreements.

The province also manages its credit risk exposure by monitoring compliance with credit and risk limits regularly and by dealing with counterparties with good credit ratings. All of the province's swap counterparties hold a "BBB+" rating or higher. At year-end, 78 per cent (1998, 96 per cent) of the notional amount of swaps outstanding was with financial institutions holding an "AA-" or higher rating. Counterparties for money market and foreign exchange transactions must have at least an R1-mid rating by Dominion Bond Rating Service or an A-1 or P-1 rating by Standard and Poor's or Moody's respectively.

At March 31, 1999, the province's most significant concentrations of credit risk were with four "A+" or higher rated counterparties, each of whom represented more than 10 per cent of the Net Credit Risk Exposure. The net cost to the province, if it had to replace all of the swap contracts with these four counterparties is \$650 million, \$282 million, \$241 million and \$234 million respectively.

3. Deposits with the Province of Ontario Savings Office

The Province of Ontario Savings Office (POS0) accepts deposits from the general public, government and other public bodies. These deposits form part of the Consolidated Revenue Fund and are direct liabilities of the province. The Ontario Financing Authority operates POS0 as agent of the Minister of Finance.

4. Pensions

Pension Liability

As at March 31	1999	1998
Obligation for pension benefits	\$ 66,269	\$ 63,438
Less: pension fund net assets	(73,844)	(66,694)
Adjustments (see below)	5,511	4,027
Unamortized experience gains	8,492	7,291
Pension Liability	\$ 6,428	\$ 8,062

Adjustments in the above table are made for the following: i) amounts reported by the pension plans at December 31, instead of the province's year-end of March 31; ii) experience gains and enhancement costs which are not attributable to the province; and iii) pension contributions payable by the province which are reflected in the pension plan assets.

Pension Expenditure

For the year ended March 31	1999	1998
Cost of pension benefits	\$ 1,805	\$ 2,402
Adjustment for supplementary pension plans	—	473
Amortization of experience gains	(909)	(731)
Employee contributions	(854)	(820)
Interest	(194)	33
Total Pension Expenditure	\$ (152)	\$ 1,357

Experience gains are amortized over 11 to 13 years. The government's best estimate of the future inflation rate used in the pension calculations is 2.5 per cent (1998, 3.0 per cent).

General

The province is responsible for sponsoring several pension plans. The most significant plans are the Public Service Pension Plan (PSPP), the Ontario Public Service Employees' Union (OPSEU) Pension Plan, and the Ontario Teachers' Pension Plan (OTPP).

These three plans are defined benefit plans which provide Ontario government employees and elementary and secondary school teachers and administrators a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to the Consumer Price Index to provide protection against inflation. Plan members and the province are each responsible for matching contributions to the plans of between seven and nine per cent of the member's salary.

Funding of these plans is based on statutory actuarial valuations. Such valuations, undertaken at least every three years, use more conservative assumptions than the annual best estimates' valuations which are used for financial statement purposes. Under partnership agreements between the province and OPSEU and between the province and the Ontario Teachers' Federation (OTF), new gains and losses arising after January 1, 1993 from the statutory actuarial funding valuations are to be shared equally by the partners.

The province had also committed to make additional payments over forty years to eliminate the unfunded liabilities of all three plans that were identified in the January 1, 1990 statutory valuations, as follows:

Contribution Commitments

As at March 31

1999	\$ 177
2000	168
2001	177
2002	187
2003	197
2004 and thereafter	5,244
Total Contribution Commitments	\$ 6,150

In April, 1998, the province and the OTF reached an agreement to eliminate the \$8.4 billion unfunded liability of the OTPP using funding gains expected to be identified in the January 1, 1998 and 1999 statutory actuarial valuations. The funding gains realized up to January 1, 1999 were insufficient to eliminate the unfunded liability. The province continued to make special payments in 1998-99, leaving an outstanding commitment of \$18 million at March 31, 1999. This \$18 million commitment was paid subsequent to year-end and is included in the table above. Except for this \$18 million, the above table reflects the province's contribution commitment to the PSPP and the OPSEU Pension Plan.

Amendments to the *Income Tax Act* (Canada) in 1992 limited the earnings that pension benefits from registered pension plans could be based on. To provide members of these pension plans with the same benefits as before this amendment, supplementary pension plans (the Ontario Teachers' Retirement Compensation Arrangement and the Public Service Pension Plan Supplementary Benefit Account) were established. The province's expenditure and liability with respect to these plans are included in the financial statements.

In March, 1999, the province and the OPSEU reached an agreement to amend the OPSEU Pension Plan to extend the Factor 80 program from April 1, 2000 to March 31, 2002 for OPSEU employees who receive notice of surplus on or before March 31, 2002. The impact of this amendment is \$16 million and is included in the 1998-99 Pension Expenditure. Subsequent to March 31, 1999, the government made a similar decision to amend the PSPP to extend the Factor 80 program for PSPP employees.

Other Plans

The province maintains accounts within the Consolidated Revenue Fund regarding pension and related benefit funds for the Provincial Judges Pension Fund and the Deputy Ministers' Supplementary Benefit Account. The obligations for pension benefits related to these funds total \$365 million (1998, \$341 million) and are included in Other Liabilities.

5. Ontario Hydro

Nature of Ontario Hydro and its Treatment in the Financial Statements

Ontario Hydro is the largest agency in the province. Operating under the authority of the *Power Corporation Act*, Ontario Hydro has broad powers to generate, supply and deliver electric power throughout Ontario.

Under the *Power Corporation Act*, revenues of the corporation are applied to cover costs of operations, including provision for debt retirement. Any residual amount is held in reserve to offset future costs and for debt redemption and cannot be distributed to the province without legislative amendment to the *Power Corporation Act*. Given that no equity is available for distribution to the province, these financial statements do not reflect either the equity or net income/loss from operations of Ontario Hydro. The financial statements of Ontario Hydro for the period ended March 31, 1999 are reproduced in Volume 2 of the *Public Accounts of Ontario*.

Ontario Hydro Summary Financial Information

As at March 31, 1999, Hydro's financial statements reported assets of \$39.6 billion and an accumulated deficit of \$2.7 billion. For the 15 months ended March 31, 1999, Hydro reported revenues of \$11.6 billion and a net income of \$2.3 billion.

Debt Issued for Ontario Hydro

Advances to, and debt incurred for, Ontario Hydro on the province's Statement of Financial Position relate to amounts borrowed on behalf of Ontario Hydro. The province has issued securities, and advanced the proceeds to Ontario Hydro, in exchange for Ontario Hydro bonds with like terms and conditions. These transactions, and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not part of the province's own budget plan. The debt servicing costs and the related recoveries are directly offset and are not reflected separately in the financial statements. Both the advances and debt incurred are stated in Canadian dollars using year-end rates of exchange. Details of debt issued for Ontario Hydro are provided in Schedule 6.

Provincial Guarantees of Ontario Hydro Debt

At March 31, 1999, the province had guaranteed debentures/bonds and notes of Ontario Hydro totaling \$26.2 billion (1998, \$27.8 billion).

During the year, Ontario Hydro paid the province a fee of \$155 million (1998, \$156 million) related to the provision of the debt guarantees.

Other Transactions with Ontario Hydro

For the year ended March 31, 1999, Ontario Hydro was charged \$113 million (1998, \$116 million) in water rental fees for the use of water for hydro-electric generation.

The province and its agencies purchase power from Ontario Hydro at market rates.

Restructuring of the Ontario Electricity Industry and Events Subsequent to March 31, 1999

In October 1998, the Province enacted *The Energy Competition Act* to restructure the Ontario electricity industry and introduce competition during the year 2000. On April 1, 1999, Ontario Hydro was restructured into five successor entities as follows:

- Ontario Power Generation Inc. (OPG) is a generation company;
- Ontario Hydro Services Company Inc. (OHSC) is a regulated transmission and distribution business and operates certain energy service businesses in an unregulated, competitive business environment;
- Ontario Electricity Financial Corporation (OEFC) is the continuation of Ontario Hydro to manage its debt and administer assets, liabilities, rights and obligations not transferred to another successor entity;
- Independent Electricity Market Operator (IMO) is the regulated centralized independent system co-ordinator responsible for directing system operations and operating the electricity market; and
- Electrical Safety Authority (ESA) performs a regulatory function related to electrical inspections.

All of the above entities will be included in the province's financial statements in future years. Condensed supplementary financial information on the activities of OPG, OHSC and OEFC, which will be accounted for as government enterprises, will be included in the Schedules to the financial statements.

In 1999-00 the Province will invest \$5.1 billion in OPG and \$3.8 billion in OHSC through a debt-for-equity swap. This \$8.9 billion equity investment in OPG and OHSC is expected to increase Income from Government Enterprises by approximately \$527 million in 1999-00, offset by an increase in the Province's Public Debt Interest of approximately \$520 million in 1999-00.

The province's investment in OEFC is expected to have no impact on Income from Government Enterprises, as net income from OEFC is expected to be nil. OEFC's debt, liabilities and associated financing costs will be repaid from notes receivable from the Province, OPG and OHSC and from dedicated electricity revenues (e.g. payments-in-lieu of property taxes and corporate income and capital taxes). Any residual debt will be serviced through a Competition Transition Charge (CTC), if necessary.

The following represents management's preliminary estimate of the financial structure of the OEFC.

OEFC

(\$ billions)

Assets

Notes Receivable from the Province		\$ 8.9
Notes Receivable from OPGI		3.4
Notes Receivable from OHSC		4.8
Deferred charges (to be recovered from future dedicated revenue streams):		
Physical productive capacity	\$ 13.4	
Power Purchase agreements	5.2	
Nuclear Risk Sharing agreement	2.4	21.0
		\$ 38.1

Liabilities

Ontario Hydro debt guaranteed by the Province of Ontario		\$ 26.2
Ontario Hydro debt owed to the Province of Ontario		4.3
Amount owing under Power Purchase Agreements		5.2
Amount owing under the Nuclear Risk Sharing agreement		2.4
		\$ 38.1

OEFC's assets and liabilities reflect the changes resulting from financial restructuring. (Assets and liabilities reported on the OEFC's audited balance sheet may include other assets and liabilities not shown here.) Numbers have been rounded.

6. Cash and Temporary Investments

Cash and Temporary Investments

As at March 31	1999	1998
Cash	\$ (1,413)	\$ (1,029)
Temporary investments	4,291	7,295
Less: assets sold under repurchase agreements	(98)	(852)
	4,193	6,443
Total Cash and Temporary Investments	\$ 2,780	\$ 5,414

The fair value of temporary investments, net of the assets sold under repurchase agreements, at March 31, 1999 is \$4.3 billion (1998, \$6.4 billion). Temporary investments primarily consist of investments in government bonds and money market instruments. Fair value is determined using quoted market prices.

A repurchase agreement is an agreement between two parties to sell and subsequently repurchase a security at a specified price on a specified date.

7. Contingent Liabilities

Obligations Guaranteed by the Province

As at March 31	1999	1999	1999	1998	1998
	Maximum Authorized	Outstanding	Provision	Outstanding	Provision
Debentures/bonds and notes of Ontario Hydro	\$ 26,238	\$ 26,238	\$ —	\$ 27,772	\$ —
Loans guaranteed	2,953	2,893	993	2,774	953
Other	166	20	—	129	—
Total	\$ 29,357	\$ 29,151	\$ 993	\$ 30,675	\$ 953

The provision for loans guaranteed is based on an estimate of the likely loss arising from guarantees under the Ontario Student Loan Program and is reflected in the Accrued Liabilities for Transfer Payments (Schedule 5).

Ontario Housing Corporation — Loan Insurance Agreements

Ontario Housing Corporation (OHC) has entered into loan insurance agreements with the Canada Mortgage and Housing Corporation (CMHC) pertaining to mortgage loans on projects funded under various non-profit housing programs administered by the Ministry of Municipal Affairs and Housing. Under these agreements, CMHC will insure mortgage loans made by lenders approved under the *National Housing Act* for the purpose of purchasing, improving, constructing or altering housing units. While insurance is provided by CMHC, the OHC is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of loan defaults on projects funded entirely by the province, and must share any net costs incurred for loan defaults on projects funded jointly by CMHC and the province. Any costs incurred by the OHC will be reimbursed by the Ministry of Municipal Affairs and Housing.

In the event of a loan default, OHC can either remedy the default or acquire the units and assume the loan obligation. The OHC share of defaults on solely provincial funded projects would be 100% of net amounts incurred on loans defaulted and approximately 70% of net amounts incurred on defaults of joint federal-provincial projects. As at December 31, 1998, there were \$5.5 billion (1997, \$5.6 billion) of mortgage loans outstanding on provincially-funded projects and the provincial share of mortgage loans outstanding on jointly-funded projects was \$2.0 billion (1997, \$1.9 billion). As the province provides operating subsidies sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

Claims against the Crown

There are claims outstanding against the Crown of which 56 are for amounts over \$50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property and like items. The cost to the province, if any, cannot be determined because the outcome of these actions is uncertain.

8. Restructuring Charges

The government continues to implement restructuring decisions made over the past three years in the health, education and municipal sectors. This resulted in a restructuring charge of \$76 million (1998, \$1,595 million).

9. Commitments

The nature of the government's activities results in some large multi-year contracts and obligations. Major commitments that can be reasonably estimated are summarized as follows:

Commitments

As at March 31	1999	1998
Transfer payments	\$ 978	\$ 1,347
Leases	814	932
Construction contracts	714	627
Other	393	321
Total Commitments	\$ 2,899	\$ 3,227

The following table summarizes the information presented above to indicate the minimum amounts required to satisfy obligations under commitments each year from 2000 to 2004 inclusive, and a total for amounts due in the year 2005 and subsequent years.

Schedule of Minimum Payments

As at March 31, 1999

Minimum Payments to be Made in:	Transfer Payments	Leases	Construction Contracts	Other	Total
2000	\$ 560	\$ 159	\$ 444	\$ 260	\$ 1,423
2001	169	131	241	43	584
2002	134	120	29	40	323
2003	51	95	—	7	153
2004	14	110	—	3	127
2005 and thereafter	50	199	—	40	289
Total	\$ 978	\$ 814	\$ 714	\$ 393	\$2,899

10. Trust Funds Under Administration

Summary financial information from the most recent financial statements of trust funds under administration are provided below.

Workplace Safety and Insurance Board

As at December 31	1998	1997
Assets	\$ 9,338	\$ 8,721
Liabilities	16,436	16,778
Unfunded Liability	(7,098)	(8,057)
Revenues	3,649	3,418
Expenditures	2,690	2,800
Net Income from Operations	959	618
Changes Legislated by Bill 99	—	1,785
Surplus	959	2,403
Unfunded Liability, Beginning of Year	(8,057)	(10,460)
Unfunded Liability, End of Year	\$ (7,098)	\$ (8,057)

Other Trust Funds

As at March 31, 1999	Assets	Liabilities
The Public Guardian and Trustee for Province of Ontario	\$ 1,029	\$ 973
Motor Vehicle Accident Claims Fund	\$ 32	\$ 106

As at December 31, 1998	Assets	Liabilities
Deposit Insurance Corporation of Ontario	\$ 6	\$ 37

The most recent financial statements related to the significant trusts under administration are reproduced in Volume 2 of the *Public Accounts of Ontario*.

11. Subsequent Event

On May 5, 1999, the Province completed the sale of the Ontario Transportation Capital Corporation for proceeds of approximately \$3.1 billion. The estimated net gain of \$1.6 billion on this sale will be recorded as revenue in fiscal 1999-2000.

12. Year 2000

The Year 2000 issue arises when some computerized systems use two digits rather than four to identify a year. Systems affected by the Year 2000 issue may not function as intended before, on, or after January 1, 2000. If the issue is not addressed, the impact on the province's normal operations could range from minor errors to significant system failure.

The government has established a Year 2000 Corporate Project Management Office (CPMO) to develop a consistent Year 2000 strategy for the government and to coordinate, facilitate and support ministry efforts to become Year 2000 ready. It has defined priority projects and ranked government Year 2000 work. The CPMO monitors progress across the government and reports regularly to senior information technology committees, deputy ministers and ministers. It also shares best practices, liaises with other jurisdictions and addresses common needs such as technical and financial resources and procurement.

The costs of addressing potential problems by modifying, replacing, or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the province's financial position. Such costs are recognized in the period when the expenditures are incurred. The government identified a requirement of approximately \$380 million for its own Year 2000 work. \$180 million of this amount has been spent to March 31, 1999. In addition, the government identified a requirement of approximately \$510 million for broader public sector Year 2000 work. \$290 million of this amount has been spent to March 31, 1999.

Rigorous quality assurance routines, business continuity plans and mitigation strategies are being implemented to provide additional assurance that government services will continue to be provided before, during and after the transition to the Year 2000.

Despite the government's efforts to address this issue, there remains a risk that all aspects of the Year 2000 issue affecting the government, including those related to the efforts of organizations in the broader public sector, suppliers and other third parties, will not be fully resolved.

13. Comparative Figures

The comparative figures have been reclassified as necessary to conform to the 1999 presentation.

Schedules to the Financial Statements

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Province of Ontario

Schedule 1: Revenue

	Budget 1999	Actual 1999	Actual 1998
For the year ended March 31			
(\$ Millions)			
Taxation			
Personal Income Tax	14,635	17,190	16,293
Retail Sales Tax	11,435	11,651	10,843
Corporations Tax	7,600	7,447	7,456
Employer Health Tax	2,780	2,882	2,851
Gasoline Tax	2,045	2,068	2,028
Fuel Tax	600	592	563
Land Transfer Tax	580	470	565
Tobacco Tax	470	447	425
Other Taxation	301	330	245
	40,446	43,077	41,269
Government of Canada			
Canada Health and Social Transfer	3,950	3,553	3,970
Social Housing	353	358	387
Indian Welfare Service Agreement	—	155	87
Canada-Ontario Infrastructure Works	92	71	116
Vocational Rehabilitation	46	71	53
Young Offenders Act	59	57	59
Bilingualism Development	40	55	49
Other	388	195	377
	4,928	4,515	5,098
Income from Investment in Government Enterprises (Schedule 8)	2,438	2,547	2,291
Other			
Local Services Realignment	2,261	2,109	519
Vehicle/Registration Fees	915	890	820
Sales and Rentals	480	640	582
Other Fees and Licences	570	661	548
Liquor Licence Revenue	510	519	506
Royalties	265	289	286
Fines and Penalties	40	50	174
Miscellaneous	537	489	425
	5,578	5,647	3,860
Total Revenue	53,390	55,786	52,518

Province of Ontario

Schedule 2: Expenditure

For the year ended March 31 (\$ Millions)	1999	1998
Salaries and Wages	3,291	3,286
Employee Benefits	576	775
Pensions (Note 4)	(152)	1,357
Transportation and Communication	346	351
Services	2,181	1,771
Supplies and Equipment	587	585
Acquisition/Construction of Physical Assets	966	1,072
Transfer Payments	40,315	36,401
Interest on Debt	9,016	8,729
Restructuring (Note 8)	76	1,595
Other Transactions	586	562
Total Expenditure	57,788	56,484

Province of Ontario

Schedule 3: Expenditure by Ministry

	Budget	Actual	Actual
For the year ended March 31	1999	1999	1998
(\$ Millions)			
Ministry			
Agriculture, Food and Rural Affairs	343	310	465
Attorney General	824	824	728
Board of Internal Economy	121	117	113
Citizenship, Culture and Recreation	312	351	289
Community and Social Services	7,868	7,686	8,098
Consumer and Commercial Relations	133	136	92
Economic Development, Trade and Tourism	170	159	197
Education and Training	10,700	11,230	8,306
Teachers' Pension (Note 4)	61	67	1,443
Energy, Science and Technology	206	356	69
Environment	223	196	240
Executive Offices	19	17	14
Finance	1,369	1,680	866
Public Debt Interest	9,214	9,016	8,729
Health	19,153	19,744	19,035
Intergovernmental Affairs	4	4	5
Labour	111	108	117
Management Board Secretariat	1,265	577	273
Public Service/OPSEU Pensions (Note 4)	(100)	(219)	(86)
Municipal Affairs and Housing	1,819	1,673	2,640
Ontario Native Affairs Secretariat	21	20	21
Natural Resources	417	604	614
Northern Development and Mines	279	259	235
Office of Francophone Affairs	3	3	2
Office Responsible for Women's Issues	21	20	18
Solicitor General and Correctional Services	1,260	1,324	1,186
Transportation	1,348	1,526	2,775
Year-End Savings ¹	(200)	—	—
Total Expenditure	56,964	57,788	56,484

¹ For Budget purposes, this item was not allocated to individual ministries.

Province of Ontario

Schedule 4: Accounts Receivable

As at March 31	1999	1998
(\$ Millions)		
Taxes	3,154	2,717
Transfer Payments ¹	1,598	1,354
Other Accounts Receivable	741	711
	5,493	4,782
Less: Provision for Doubtful Accounts ¹	(2,219)	(1,891)
	3,274	2,891
Local Services Realignment	179	316
Government of Canada	140	459
Total Accounts Receivable	3,593	3,666

¹ The transfer payment receivable consists primarily of recoverables of \$864 million (1998, \$822 million) for the Provincial Allowances and Benefits program, and \$666 million (1998, \$503 million) for the Student Support program. The provision for doubtful accounts includes a provision of \$780 million (1998, \$719 million) for Provincial Allowances and Benefits and \$566 million (1998, \$427 million) for Student Support.

Province of Ontario

Schedule 5: Accounts Payable and Accrued Liabilities

As at March 31	1999	1998
(\$ Millions)		
Transfer Payments	3,718	3,430
Interest on Public Debt	2,832	2,723
Restructuring	1,655	3,130
Salaries, Wages and Benefits	1,377	1,548
Other	1,301	1,475
Deferred Revenue	226	222
Obligations Under Capital Leases	165	127
Deferred Hedging	11	31
Total Accounts Payable and Accrued Liabilities	11,285	12,686

Province of Ontario

Schedule 6: Debt Issued for Ontario Hydro

As at March 31 (\$ Millions)	1999	1998
Fiscal Year Payable		
1999		137
2000	—	—
2001	500	500
2002	500	500
2003	—	—
2004	—	—
1 - 5 Years	1,000	1,137
6 - 10 Years	2,597	508
11 - 15 Years	651	1,240
16 - 20 Years	—	—
	4,248	2,885
The effective interest rates (weighted average) on the above debt are:	9.21%	11.48%
Debt Payable to:	1999	1998
Canada Pension Plan Investment Fund	2,748	2,748
Public Investors	1,500	137
Total Debt Issued for Ontario Hydro	4,248	2,885

See Note 5, Ontario Hydro.

Province of Ontario

Schedule 7: Government Enterprises and Government Service Organizations¹

Government Enterprises	Responsible Ministry
Algonquin Forestry Authority	Natural Resources
Ontario Development Corporation	Economic Development, Trade and Tourism
Liquor Control Board of Ontario	Consumer and Commercial Relations
Metropolitan Toronto Convention Centre	Economic Development, Trade and Tourism
Niagara Parks Commission	Economic Development, Trade and Tourism
Ontario Casino Corporation	Management Board Secretariat
Ontario Clean Water Agency	Environment
Ontario Lottery Corporation	Management Board Secretariat
Ontario Northland Transportation Commission	Northern Development and Mines
Ontario Transportation Capital Corporation	Transportation
Government Service Organizations	
Agricorp	Agriculture, Food and Rural Affairs
Northern Ontario Heritage Fund Corporation	Northern Development and Mines
Cancer Care Ontario	Health
Ontario Educational Communications Authority (TV Ontario)	Citizenship, Culture and Recreation
Ontario Financing Authority	Finance
Ontario Housing Corporation	Municipal Affairs and Housing
Ontario Place Corporation	Economic Development, Trade and Tourism
Ontario Realty Corporation	Management Board Secretariat
Toronto Area Transit Operating Authority (Go Transit) ²	Transportation
Ontario Securities Commission	Finance

¹ The most recent audited financial statements of these crown agencies are reproduced in Volume 2 of the *Public Accounts of Ontario*.

² On December 18, 1998 the Province gave Royal Assent to Bill 56, an Act to establish the Greater Toronto Services Board and the Greater Toronto Transit Authority (GTTA) and to amend the *Toronto Area Transit Operating Authority (TATOA) Act*. The transfer of the transit business from the Province to GTTA occurred on August 7, 1999.

Province of Ontario

Schedule 8: Investment in Government Enterprises

For the year ended (\$ Millions)	Algonquin	Ontario	Liquor Control	Metropolitan	
	Forestry Authority	Development Corporation	Board of Ontario	Toronto Convention Centre	Niagara Parks Commission
	March 31, 1999	March 31, 1999	March 31, 1999	March 31, 1999	October 31, 1998
Assets					
Cash/Temporary Investments	3.3	47.5	24.5	0.2	18.7
Accounts Receivable	1.7	5.8	6.1	2.6	2.4
Inventories	0.2		236.3	0.2	4.2
Prepaid Expenditures			8.8	0.4	0.1
Long-term Investments		31.7			
Fixed Assets	1.6	11.5	148.2	154.1	94.0
Other Assets	1.9			4.6	
Total Assets	8.7	96.5	423.9	162.1	119.4
Liabilities					
Bank Indebtedness					
Accounts Payable	0.4	9.9	210.0	3.9	4.2
Notes Payable					
Deferred Revenue	1.2			4.3	
Long-term Debt				151.8	
Other Liabilities	(0.2)				
Total Liabilities	1.4	9.9	210.0	160.0	4.2
Net Assets	7.3	86.6	213.9	2.1	115.2
Revenue					
Revenue from Operations	18.1	25.2	2,349.9	37.6	69.4
Transfers from the Government					
Total Revenue	18.1	25.2	2,349.9	37.6	69.4
Expenditure					
Expenditure from Operations	17.7	7.9	1,540.4	43.1	59.5
Provincial Taxes					
Total Expenditure	17.7	7.9	1,540.4	43.1	59.5
Income (Loss)					
before Extraordinary Items	0.4	17.3	809.5	(5.5)	9.9
Extraordinary Items					
Net Income(Loss)	0.4	17.3	809.5	(5.5)	9.9
Net Assets - Beginning of Year	6.9	89.0	184.4	7.6	105.3
Payments from (to) CRF		(19.7)	(780.0)		
Net Assets	7.3	86.6	213.9	2.1	115.2

Province of Ontario

Schedule 8: Investment in Government Enterprises

Ontario Casino Corporation	Ontario Clean Water Agency	Ontario Lottery Corporation	Ontario Northland Transportation Commission	Ontario Transportation Capital Corp.	Adjustments ¹	Total
March 31, 1999	December 31, 1998	March 31, 1999	December 31, 1998	March 31, 1999		
499.7	124.7	108.5		0.8	4.3	832.2
11.7	7.6	43.5	18.6	26.9	13.8	140.7
4.7			11.0		2.6	259.2
10.8		14.0	0.5		(0.8)	33.8
	93.1		2.9		(30.2)	97.5
733.4	3.1	73.7	217.1	1,926.2	(450.7)	2,912.2
32.2	0.5	59.0	17.7	43.2	1.4	160.5
1,292.5	229.0	298.7	267.8	1,997.1	(459.6)	4,436.1
			5.6		4.1	9.7
209.0	21.2	88.1	13.5	16.7	(9.5)	567.4
				509.0		509.0
		9.5	0.2		0.4	15.6
16.0	1.0		48.9	1,002.9	(31.3)	1,189.3
254.5	9.7	49.1	4.3	55.7	(0.7)	372.4
479.5	31.9	146.7	72.5	1,584.3	(37.0)	2,663.4
813.0	197.1	152.0	195.3	412.8	(422.6)	1,772.7
2,095.3	120.6	2,194.4	125.3	113.2	0.6	7,149.6
			4.2			4.2
2,095.3	120.6	2,194.4	129.5	113.2	0.6	7,153.8
943.4	105.4	1,461.3	149.8	156.0	71.0	4,555.5
395.9					(395.9)	
1,339.3	105.4	1,461.3	149.8	156.0	(324.9)	4,555.5
756.0	15.2	733.1	(20.3)	(42.8)	325.5	2,598.3
		(51.2)				(51.2)
756.0	15.2	681.9	(20.3)	(42.8)	325.5	2,547.1
783.1	184.2	49.5	216.2	253.7	(406.8)	1,473.1
(726.1)	(2.3)	(579.4)	(0.6)	201.9	(341.3)	(2,247.5)
813.0	197.1	152.0	195.3	412.8	(422.6)	1,772.7

¹ Adjustments are made for government enterprises with a year end other than March 31, and to eliminate capital assets transferred to enterprises by the province.

Schedule 8: Investment in Government Enterprises

Algonquin Forestry Authority

The Algonquin Forestry Authority is a crown agency established in 1975 under the *Algonquin Forestry Authority Act*. It is responsible for forest management and harvesting activities within the Algonquin Park.

Ontario Development Corporation

In 1996, the Province decided to terminate the loan, equity investment and guarantee programs of the Development Corporations and wind down their activities over a period of years. The portfolios and responsibilities of the Development Corporations were transferred to the Ontario Development Corporation during the year. Since May 1998, the Ontario Development Corporation has used a private sector asset management company to fulfil its responsibilities for managing and administering its term-loan portfolios and commercial guarantee portfolios.

Liquor Control Board of Ontario

The Liquor Control Board of Ontario is responsible for regulating the production, importation, distribution and sale of alcoholic beverages in the Province of Ontario. The Board buys wine and liquor products for resale to the public and tests all products sold to the public to maintain high standards of quality. The Board also establishes prices for beer, wine and spirits.

Metropolitan Toronto Convention Centre

The Corporation operates, maintains and manages an international class convention centre facility in the Municipality of Metropolitan Toronto. This facility is being expanded to further promote and develop tourism and industry in Ontario.

Niagara Parks Commission

The Commission maintains, preserves and enhances the beauty and surroundings of the Horseshoe Falls and the Niagara River from Fort Erie to Niagara-on-the-Lake.

Ontario Casino Corporation

The Ontario Casino Corporation was established to conduct and manage games of chance; to ensure that games of chance are conducted and managed in accordance with the *Ontario Casino Corporation Act, 1993*, and the *Gaming Control Act, 1992*, and regulations made under these Acts; to provide for the operation of casinos; and, to provide for the operation of any business that it considers reasonably related to operating a casino, including any business that offers goods and services to persons who play games of chance in a casino.

Ontario Clean Water Agency

The Agency assists municipalities in providing more cost-effective water and sewage services and encourages Ontario residents, municipalities and industries to conserve water. The Agency also finances, builds and operates water and sewage systems as well as providing services to communities, all on a cost-recovery basis.

Ontario Lottery Corporation

The Ontario Lottery Corporation (OLC) was established in 1975 under the *Ontario Lottery Corporation Act*, with the mandate to develop, undertake, organize, conduct and manage lotteries in Ontario on behalf of the provincial government. Since its creation, OLC has also entered a joint venture with other provinces, through the Interprovincial Lottery Corporation, to operate national and multi-province games. OLC is also responsible for the conduct and management of charity casinos and slot machine programs at race tracks in Ontario.

Ontario Northland Transportation Commission

The Commission provides rail, bus, ferry, air and telecommunications services to Northern Ontario.

Ontario Transportation Capital Corporation

The Ontario Transportation Capital Corporation's primary objective has been to own and finance the construction of transportation related capital investments. On May 5, 1999 the Province completed the sale of the Corporation (Note 11).

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